

Jesup Community School District

Independent Auditor's Reports
Basic Financial Statements
And Supplementary Information
Schedule of Findings

June 30, 2004

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Jesup Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2003 Election)

Gin Vogel	President	2004
Larry Thompson	Vice President	2003
Lisa Riensche	Board Member	2003
Fritz DeMuth	Board Member	2004
Dawn Quakenbush	Board Member	2003
Brenda Schmit	Board Member	2005
Leonard Harting	Board Member	2005

Board of Education

(After September 2003 Election)

Lisa Riensche	President	2006
Gin Vogel	Vice President	2004
Fritz DeMuth	Board Member	2004
Brenda Schmit	Board Member	2005
Leonard Harting	Board Member	2005
Staci Brown	Board Member	2006
Kevin McCombs	Board Member	2006

School Officials

Terry Christie *	Superintendent	2004
Mary Anne Harrold	District Secretary/Treasurer and Business Manager	2004
Brian Gruhn	Attorney	2004

* Resigned 6-30-04

Independent Auditor's Report

To the Board of Education of
Jesup Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Jesup Community School District, Jesup, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Jesup Community School District at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 10 to the financial statements, during the year ended June 30, 2004, Jesup Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, I have also issued my reports dated July 23, 2004 on my consideration of Jesup Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 33 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jesup Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Keith Oltrogge", is centered within a light blue rectangular box. The signature is fluid and cursive.

Keith Oltrogge
Certified Public Accountant

July 23, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Jesup Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$5,977,838 in fiscal 2003 to \$5,819,553 in fiscal 2004, and General Fund expenditures decreased from \$5,944,892 in fiscal 2003 to \$5,520,350 in fiscal 2004. The District's General Fund balance increased from \$1,915,527 in fiscal year 2003 to \$2,214,730 in fiscal year 2004, a 15.6% increase.
- The decrease in General Fund revenues was attributable to a decrease in state revenue in fiscal year 2004
- A decline in interest rates during the past three fiscal years, combined with less cash available to be invested, resulted in interest earnings in the General Fund alone decreasing from \$30,684 in fiscal year 2003 to \$21,959 in fiscal year 2004.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Jesup Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Jesup Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Jesup Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Jesup Community School District Annual Financial Report

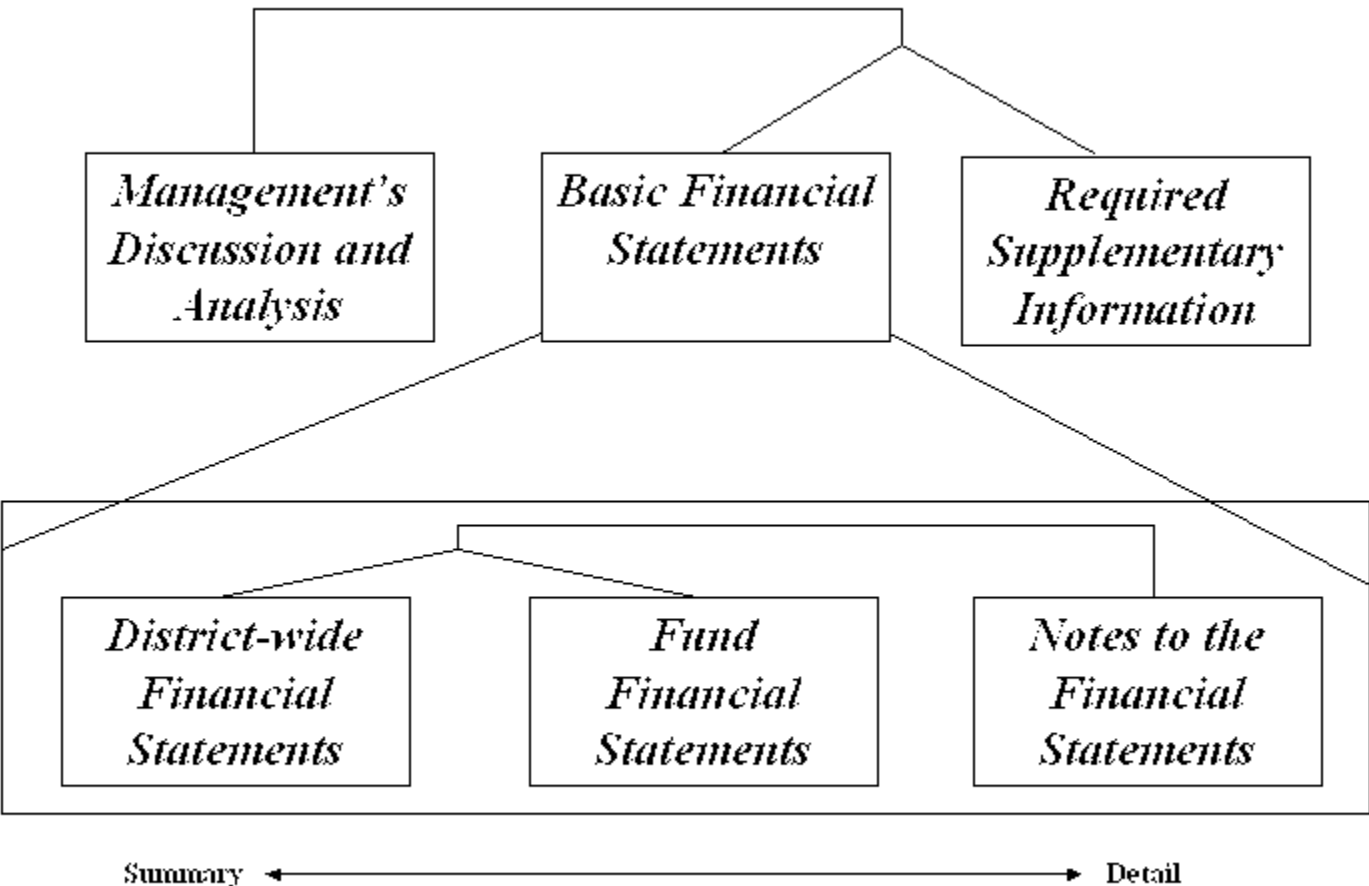


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets	Balance sheet	Statement of net assets	Statement of fiduciary net assets
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of revenues, expenses and changes in fund net assets	Statement of changes in fiduciary net assets
			Statement of cash flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term	All assets and liabilities, both short- term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has three Enterprise Funds: the School Nutrition Fund, Swimming Pool Fund and Day Care Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. This fund consists of a Trust Fund.

- Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2004 compared to June 30, 2003.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2004	2003	2004	2003	2004	2003	2003-2004
Current and other assets	\$8,455,243	\$10,075,931	\$119,367	\$150,771	\$8,574,610	\$10,226,702	-16.2%
Capital assets	4,292,178	1,427,533	22,839	26,689	4,315,017	1,454,222	296.7%
Total assets	\$12,747,421	\$11,503,464	\$142,206	\$177,460	\$12,889,627	\$11,680,924	10.3%
Long-term liabilities	\$4,847,153	\$5,036,747	\$-	\$-	\$4,847,153	\$5,036,747	-3.8%
Other liabilities	2,295,536	2,422,678	9,779	11,495	2,305,315	2,434,173	-5.3%
Total liabilities	\$7,142,689	\$7,459,425	\$9,779	\$11,495	\$7,152,468	\$7,470,920	-4.3%
Net assets:							
Invested in capital assets, net of related debt	\$4,292,178	\$1,427,533	\$22,839	\$26,689	\$4,315,017	\$1,454,222	296.7%
Unrestricted	1,312,554	2,616,506	109,588	139,276	1,422,142	2,755,782	-48.4%
Total net assets	\$5,604,732	\$4,044,039	\$132,427	\$165,965	\$5,737,159	\$4,210,004	36.3%

The District's combined net assets increased by nearly 296.7%, or \$2,860,795, over the prior year. The largest portion of the District's net assets is in the "invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt". The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased by \$1,333,640, or 48.4%. This reduction in unrestricted net assets was a result of the increase in net assets.

Figure A-4 shows the change in net assets for the year ended June 30, 2004.

Figure A-4
Changes in Net Assets

	Governmental Activities	Business Type Activities	Total District
Revenues:			
Program revenues:			
Charges for service	\$560,532	\$199,934	\$760,466
Operating grants, contributions and restricted interest	916,365	96,539	1,012,904
Capital grants, contributions and restricted interest	950,000	-	950,000
General revenues:			
Property tax	1,858,831	-	1,858,831
Local option sales and service tax	305,476	-	305,476
Unrestricted state grants	2,762,057	-	2,762,057
Unrestricted investment earnings	115,740	1,179	116,919
Other	64,234	-	64,234
Total revenues	<u>\$7,533,235</u>	<u>\$297,652</u>	<u>\$7,830,887</u>
Program expenses:			
Governmental activities:			
Instruction	\$2,989,158	\$-	\$2,989,158
Support services	1,584,256	-	1,584,256
Non-instructional programs	-	331,190	331,190
Other expenses	1,399,128	-	1,399,128
Total expenses	<u>\$5,972,542</u>	<u>\$331,190</u>	<u>\$6,303,732</u>
Change in net assets	<u>\$1,560,693</u>	<u>-\$33,538</u>	<u>\$1,527,155</u>

Property tax and unrestricted state grants account for 59% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 72.5% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$7,533,235 and expenses were \$5,972,542. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$2,989,158	\$1,877,627
Support Services	1,584,256	1,470,270
Non-instructional programs	-	-
Other expenses	1,399,128	197,748
Totals	<u>\$5,972,542</u>	<u>\$3,545,645</u>

- The cost financed by users of the District's programs was \$760,466.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,012,904.
- The net cost of governmental activities was financed with \$1,858,831 in property and other taxes and \$2,762,057 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$297,652 and expenses were \$331,190. The District's business type activities include the School Nutrition Fund and Swimming Pool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Jesup Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$5,604,732, well above last year's ending fund balances of \$4,044,039. However, the primary reason for the increase in combined fund balances in fiscal 2003 is due to approximately \$3 million on unexpended general bond proceeds received in fiscal 2003.

BUDGETARY HIGHLIGHTS

The District's receipts were \$1,109,469 more than budgeted receipts, a variance of 16.5%. The most significant variance resulted from the District receiving more in federal aid than originally anticipated.

The District's total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$4,315,017, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 296.7% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$202,571.

The original cost of the District's capital assets was \$8,225,259. Governmental funds account for \$8,163,478, with the remainder of \$61,781 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$3,269,798 at June 30, 2004, compared to \$274,125 reported at June 30, 2003. This significant increase resulted from construction activity financed by the issuance of voter approved general obligation bonds and revenues bonds totaling \$5,000,000 in fiscal 2003 for construction of a new school.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2004	2003	2004	2003	2004	2003	2003-2004
Land	\$33,500	\$33,500	\$-	\$-	\$33,500	\$33,500	0.0%
Construction in progress	3,269,798	274,125	-	-	3,269,798	274,125	1192.8%
Buildings	597,498	681,372	-	-	597,498	681,372	-12.3%
Improvements other than buildings	137,878	145,731	-	-	137,878	145,731	-5.4%
Furniture and equipment	253,504	292,805	22,839	26,689	276,343	319,494	-13.5%
Totals	\$4,292,178	\$1,427,533	\$22,839	\$26,689	\$4,315,017	\$1,454,222	296.7%

Long-Term Debt

At June 30, 2004, the District had \$4,847,153 in general obligation and other long-term debt outstanding. This represents a decrease of 3.8% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

In May 2003, the District's voters authorized the issuance of \$5,000,000 in general obligation bonds to pay for construction of a new building. Planning for the project started and the bonds were sold during fiscal 2003.

Figure A-7
Outstanding Long-term Obligations

	Total District		Total Change
	June 30,		June 30,
	2004	2003	2003-2004
General obligation bonds	\$4,830,000	\$5,000,000	-3.4%
Early retirement	17,153	36,747	-53.3%
Totals	\$4,847,153	\$5,036,747	-3.8%

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mary Anne Harrold, District Secretary/Treasurer and Business Manager, Jesup Community School District, 531 Prospect Street, P.O. Box 287, Jesup IA 50648.

Basic Financial Statements

Jesup Community School District

Statement of Net Assets

June 30, 2004

	Govern- mental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents:			
Other	\$ 6,473,670	\$ 116,979	\$ 6,590,649
Receivables:			
Property tax:			
Delinquent	18,177	-	18,177
Succeeding year	1,808,623	-	1,808,623
Accounts	20,965	852	21,817
Due from other governments	133,808	-	133,808
Inventories	-	1,536	1,536
Capital assets, net of accumulated depreciation	4,292,178	22,839	4,315,017
Total Assets	\$ 12,747,421	\$ 142,206	\$ 12,889,627
Liabilities			
Accounts payable	\$ 3,291	\$ 6	\$ 3,297
Salaries and benefits payable	453,434	4,307	457,741
Accrued interest payable	30,188	-	30,188
Deferred revenue-succeeding year property tax	1,808,623	-	1,808,623
Deferred revenue-other	-	5,466	5,466
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	175,000	-	175,000
Early retirement	12,847	-	12,847
Portion due after one year:			
General obligation bonds payable	4,655,000	-	4,655,000
Early retirement	4,306	-	4,306
Total Liabilities	\$ 7,142,689	\$ 9,779	\$ 7,152,468
Net Assets			
Invested in capital assets, net of related debt	\$ 4,292,178	\$ 22,839	\$ 4,315,017
Unrestricted	1,312,554	109,588	1,422,142
Total Net Assets	\$ 5,604,732	\$ 132,427	\$ 5,737,159

See notes to financial statements.

Jesup Community School District

Statement of Activities

Year Ended June 30, 2004

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<u>Functions/Programs</u>				
Governmental Activities:				
Instruction:				
Regular instruction	\$ 2,026,763	\$ 286,414	\$ 414,141	\$ -
Special instruction	560,240	93,010	152,471	-
Other instruction	402,155	154,773	10,722	-
	<u>\$ 2,989,158</u>	<u>\$ 534,197</u>	<u>\$ 577,334</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 221,921	\$ -	\$ 5,004	\$ -
Instructional staff services	127,138	-	-	-
Administration services	594,039	-	1,000	-
Operation and maintenance of plant services	374,462	-	-	-
Transportation services	262,364	465	81,647	-
Community services	4,332	25,870	-	-
	<u>\$ 1,584,256</u>	<u>\$ 26,335</u>	<u>\$ 87,651</u>	<u>\$ -</u>
Other Expenditures:				
Facilities acquisition	\$ 950,000	\$ -	\$ -	\$ 950,000
Long-term debt interest	197,748	-	-	-
AEA flow-through	251,380	-	251,380	-
	<u>\$ 1,399,128</u>	<u>\$ -</u>	<u>\$ 251,380</u>	<u>\$ 950,000</u>
Total Governmental Activities	<u>\$ 5,972,542</u>	<u>\$ 560,532</u>	<u>\$ 916,365</u>	<u>\$ 950,000</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 278,866	\$ 165,212	\$ 96,539	\$ -
Swimming pool operations	52,324	34,722	-	-
	<u>\$ 331,190</u>	<u>\$ 199,934</u>	<u>\$ 96,539</u>	<u>\$ -</u>
Total	<u>\$ 6,303,732</u>	<u>\$ 760,466</u>	<u>\$ 1,012,904</u>	<u>\$ 950,000</u>

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities		Business Type Activities		Total
\$	-1,326,208	\$	-	\$ -1,326,208
	-314,759		-	-314,759
	-236,660		-	-236,660
\$	-1,877,627	\$	-	\$ -1,877,627
\$	-216,917	\$	-	\$ -216,917
	-127,138		-	-127,138
	-593,039		-	-593,039
	-374,462		-	-374,462
	-180,252		-	-180,252
	21,538		-	21,538
\$	-1,470,270	\$	-	\$ -1,470,270
\$	-	\$	-	\$ -
	-197,748		-	-197,748
	-		-	-
\$	-197,748	\$	-	\$ -197,748
\$	-3,545,645	\$	-	\$ -3,545,645
\$	-	\$	-17,115	\$ -17,115
	-		-17,602	-17,602
\$	-	\$	-34,717	\$ -34,717
\$	-3,545,645	\$	-34,717	\$ -3,580,362

Jesup Community School District

Statement of Activities

Year Ended June 30, 2004

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Expenses			
General Revenues:			
Property Tax Levied For:			
General purposes			
Debt service			
Capital outlay			
Local option sales and services tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total General Revenues			
Change in net assets			
Net assets beginning of year, as restated			
Net Assets End of Year			

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities		Business Type Activities		Total
\$	1,745,133	\$	-	\$ 1,745,133
	55,044		-	55,044
	58,654		-	58,654
	305,476		-	305,476
	2,762,057		-	2,762,057
	115,740		1,179	116,919
	64,234		-	64,234
\$	5,106,338	\$	1,179	\$ 5,107,517
\$	1,560,693	\$	-33,538	\$ 1,527,155
	4,044,039		165,965	4,210,004
\$	5,604,732	\$	132,427	\$ 5,737,159

Jesup Community School District

Balance Sheet
Governmental Funds

June 30, 2004

	General	Capital Projects	Non-major Special Revenue	Total
Assets				
Cash and Pooled Investments:				
Other	\$ 2,500,400	\$ 3,649,707	\$ 323,563	\$ 6,473,670
Receivables:				
Property Tax:				
Delinquent	16,282	-	1,895	18,177
Succeeding year	1,599,740	-	208,883	1,808,623
Accounts	20,965	-	-	20,965
Due from other governments	133,808	-	-	133,808
Total Assets	\$ 4,271,195	\$ 3,649,707	\$ 534,341	\$ 8,455,243
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 3,291	\$ -	\$ -	\$ 3,291
Salaries and benefits payable	453,434	-	-	453,434
Deferred Revenue:				
Succeeding year property tax	1,599,740	-	208,883	1,808,623
Total Liabilities	\$ 2,056,465	\$ -	\$ 208,883	\$ 2,265,348
Fund Balances:				
Unreserved	\$ 2,214,730	\$ 3,649,707	\$ 325,458	\$ 6,189,895
Total Liabilities and Fund Balances	\$ 4,271,195	\$ 3,649,707	\$ 534,341	\$ 8,455,243

Jesup Community School District

Reconciliation of the Balance Sheet – Governmental Funds
To the Statement of Net Assets

June 30, 2004

Total fund balances of governmental funds (page 15)	\$ 6,189,895
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	4,292,178
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	-30,188
Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported in the funds	<u>-4,847,153</u>
Net assets of governmental activities (page 12)	<u>\$ 5,604,732</u>

Jesup Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2004

	General	Capital Projects	Non-Major Special Revenue	Total
Revenues:				
Local Sources:				
Local tax	\$ 1,661,752	\$ -	\$ 197,079	\$ 1,858,831
Tuition	308,685	-	-	308,685
Other	170,876	396,234	170,187	737,297
Intermediate sources	-	-	-	-
State sources	3,290,858	-	182	3,291,040
Federal sources	387,382	950,000	-	1,337,382
Total Revenues	\$ 5,819,553	\$ 1,346,234	\$ 367,448	\$ 7,533,235
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 2,451,636	\$ -	\$ 71,370	\$ 2,523,006
Special instruction	721,687	-	-	721,687
Other instruction	294,163	-	164,902	459,065
	\$ 3,467,486	\$ -	\$ 236,272	\$ 3,703,758
Support Services:				
Student services	\$ 280,734	\$ -	\$ 3,989	\$ 284,723
Instructional staff services	162,919	-	665	163,584
Administration services	708,865	-	54,245	763,110
Operation and maintenance of plant services	382,224	-	72,253	454,477
Transportation services	262,410	-	3,324	265,734
Community services	4,332	-	-	4,332
	\$ 1,801,484	\$ -	\$ 134,476	\$ 1,935,960
Other Expenditures:				
Facilities acquisition	\$ -	\$ 2,767,935	\$ -	\$ 2,767,935
Long-Term Debt:				
Principal	-	-	170,000	170,000
Interest and fiscal charges	-	-	198,810	198,810
AEA flow-through	251,380	-	-	251,380
	\$ 251,380	\$ 2,767,935	\$ 368,810	\$ 3,388,125
Total Expenditures	\$ 5,520,350	\$ 2,767,935	\$ 739,558	\$ 9,027,843
Excess (deficiency) of revenues over (under) expenditures	\$ 299,203	\$ -1,421,701	\$ -372,110	\$ -1,494,608
Other Financing Sources (Uses):				
Operating transfers in	\$ -	\$ -	\$ 330,000	\$ 330,000
Operating transfers out	-	-330,000	-	-330,000
Total Other Financing Sources (Uses)	\$ -	\$ -330,000	\$ 330,000	\$ -
Net change in fund balances	\$ 299,203	\$ -1,751,701	\$ -42,110	\$ -1,494,608
Fund balances beginning of year, as restated (Note 10)	1,915,527	5,401,408	367,568	7,684,503
Fund Balances End of Year	\$ 2,214,730	\$ 3,649,707	\$ 325,458	\$ 6,189,895

See notes to financial statements.

Jesup Community School District

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
To the Statement of Activities**

Year Ended June 30, 2004

Net change in fund balances – total governmental funds (page 17) \$ -1,494,608

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 3,062,068	
Depreciation expense	<u>-197,423</u>	2,864,645

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Repaid	170,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

1,062

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	<u>19,594</u>
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Change in Net Assets of Governmental Activities (page 14)	<u><u>\$ 1,560,693</u></u>
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Jesup Community School District

Statement of Net Assets
Proprietary Funds

June 30, 2004

	Day Care	Swimming Pool	School Nutrition
Assets			
Cash and cash equivalents	\$ 1,170	\$ 8,017	\$ 107,792
Accounts receivable	-	-	852
Inventories	-	-	1,536
Capital assets, net of accumulated depreciation	-	-	22,839
Total Assets	\$ 1,170	\$ 8,017	\$ 133,019
Liabilities			
Accounts payable	\$ -	\$ -	\$ 6
Salaries and benefits payable	-	3,206	1,101
Deferred revenue	-	-	5,466
Total Liabilities	\$ -	\$ 3,206	\$ 6,573
Net Assets			
Invested in capital assets, net of related debt	\$ -	\$ -	\$ 22,839
Unrestricted	1,170	4,811	103,607
Total Net Assets	\$ 1,170	\$ 4,811	\$ 126,446

See notes to financial statements.

Jesup Community School District

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

June 30, 2004

	Day Care	Swimming Pool	School Nutrition
Operating revenues:			
Local sources:			
Charges for service	\$ -	\$ 34,722	\$ 165,212
Operating expenses:			
Non-instructional programs:			
Operations:			
Salaries	\$ -	\$ 14,898	\$ 104,506
Benefits	-	1,264	14,505
Purchased services	-	13,329	2,756
Supplies	-	21,187	151,951
Other	-	1,646	-
Depreciation	-	-	5,148
Total operating expenses	\$ -	\$ 52,324	\$ 278,866
Operating loss	\$ -	\$ -17,602	\$ -113,654
Non-operating revenues:			
State sources	\$ -	\$ -	\$ 4,333
Federal sources	-	-	92,206
Interest income	-	-	1,179
Total non-operating revenues	\$ -	\$ -	\$ 97,718
Change in net assets	\$ -	\$ -17,602	\$ -15,936
Net assets beginning of year	1,170	22,413	142,382
Net Assets End of Year	\$ 1,170	\$ 4,811	\$ 126,446

See notes to financial statements.

Jesup Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2004

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 163,663
Cash paid to employees for services	-117,371
Cash paid to suppliers for goods or services	-145,130
Net cash used by operating activities	<u>\$ -98,838</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 4,333
Federal grants received	80,870
Net cash provided by non-capital financing activities	<u>\$ 85,203</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>\$ -1,299</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 1,179</u>
Net decrease in cash and cash equivalents	\$ -13,755
Cash and cash equivalents beginning of year	<u>121,547</u>
Cash and Cash Equivalents End of Year	<u>\$ 107,792</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ -113,654
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	11,808
Depreciation	5,148
(Increase) in inventories	-609
(Increase) in accounts receivable	-262
(Decrease) in accounts payable	686
Increase in salaries and benefits payable	1,009
(Decrease) in deferred revenue	<u>-1,592</u>
Net Cash Used by Operating Activities	<u>\$ -98,838</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$11,336 of federal commodities.

Jesup Community School District

**Statement of Cash Flows
Proprietary Fund**

Year Ended June 30, 2004

	<u>Swimming Pool</u>
Cash flows from operating activities:	
Cash received from services	\$ 34,722
Cash paid to employees for services	-16,607
Cash paid to suppliers for goods or services	-36,163
Net cash used by operating activities	<u>\$ -18,048</u>
Net decrease in cash and cash equivalents	\$ -18,048
Cash and cash equivalents beginning of year	<u>26,065</u>
Cash and Cash Equivalents End of Year	<u>\$ 8,017</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ -17,602
Adjustments to reconcile operating loss to net cash used by operating activities:	
(Decrease) in salaries and benefits payable	<u>-446</u>
Net Cash Used by Operating Activities	<u>\$ -18,048</u>

Jesup Community School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	<u>Trust</u> <u>Scholarship</u>
Assets	
Cash and pooled investments	\$ 3,805
Total Assets	<u>\$ 3,805</u>
Liabilities	
Accounts payable	<u>\$ -</u>
Net assets	
Reserved for scholarships	<u>\$ 3,805</u>

Jesup Community School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2004

	<u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Interest income	\$ 263
Deductions:	
Support services:	
Scholarships awarded	\$ -
Change in net assets	\$ 263
Net assets beginning of year	<u>3,542</u>
Net Assets End of Year	<u>\$ 3,805</u>

Jesup Community School District

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

Jesup Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Jesup, Iowa and portions of the predominately agricultural territories in Buchanan and Black Hawk Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Jesup Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Jesup Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary funds are the Enterprise, School Nutrition Fund, Day Care and Swimming Pool Fund. These funds are used to account for the food service, day care and swimming pool operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

(3) Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 330,000

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning Of Year, as Restated (Note 10)	Increases	Decreases	Balance End Of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 33,500	\$ -	\$ -	\$ 33,500
Construction in progress	274,125	2,995,673	-	3,269,798
Total capital assets not being depreciated	\$ 307,625	\$ 2,995,673	\$ -	\$ 3,303,298
Capital assets being depreciated:				
Buildings	\$ 2,903,965	\$ -	\$ -	\$ 2,903,965
Improvements other than buildings	412,450	12,769	-	425,219
Furniture and equipment	1,477,370	53,626	-	1,530,996
Total capital assets being depreciated	\$ 4,793,785	\$ 66,395	\$ -	\$ 4,860,180
Less accumulated depreciation for:				
Buildings	\$ 2,222,593	\$ 83,874	\$ -	\$ 2,306,467
Improvements other than buildings	266,719	20,622	-	287,341
Furniture and equipment	1,184,565	92,927	-	1,277,492
Total accumulated depreciation	\$ 3,673,877	\$ 197,423	\$ -	\$ 3,871,300
Total capital assets being depreciated, net	\$ 1,119,908	\$ -131,028	\$ -	\$ 988,880
Governmental Activities Capital Assets, Net	\$ 1,427,533	\$ 2,864,645	\$ -	\$ 4,292,178

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Business type activities:				
Furniture and equipment	\$ 69,971	\$ 1,298	\$ 9,488	\$ 61,781
Less accumulated depreciation	43,282	5,148	9,488	38,942
Business Type Activities Capital Assets, Net	\$ 26,689	\$ -3,850	\$ -	\$ 22,839

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$ 113,551
Special	-
Other	22,930

Support services:

Instructional staff	-
Administration	118
Operation and maintenance of plant	5,491
Transportation	55,333

Total Depreciation Expense – Governmental Activities

\$ 197,423

Business Type Activities:

Food service operations	\$ 5,148
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(5) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
General obligation bonds	\$ 5,000,000	\$ -	\$ 170,000	\$ 4,830,000	\$ 175,000
Early retirement	36,747	-	19,594	17,153	12,847
Total	\$ 5,036,747	\$ -	\$ 189,594	\$ 4,847,153	\$ 187,847

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application, which is required to be approved by the Board of Education. Early retirement incentives are equal to a cash payment equal to 50% of the employee's annual salary. Early retirement expenditures for the year ended June 30, 2004 totaled \$19,595.

General Obligation Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Issued May 2003			
	Interest Rates	Principal	Interest	Total
2005	3.75%	\$ 175,000	\$ 181,125	\$ 356,125
2006	3.75%	185,000	174,562	359,562
2007	3.75%	190,000	167,625	357,625
2008	3.25%	200,000	139,100	339,100
2009	3.375%	210,000	137,700	347,700
2010	3.50%	215,000	135,450	350,450
2011	3.60%	220,000	131,580	351,580
2012	3.75%	230,000	128,813	358,813
2013	3.80%	240,000	121,790	361,790
2014	4.00%	245,000	118,600	363,600
2015	4.00%	255,000	108,800	363,800
2016	4.00%	265,000	98,600	363,600
2017	4.00%	275,000	88,000	363,000
2018	4.10%	290,000	78,925	368,925
2019	4.20%	300,000	68,670	368,670
2020	4.25%	310,000	56,738	366,738
2021	4.35%	325,000	44,587	369,587
2022	4.45%	340,000	31,150	371,150
2023	4.50%	360,000	16,200	376,200
Total		\$ 4,830,000	\$ 2,028,015	\$ 6,858,015

During the year ended June 30, 2004, the District made principal and interest payments totaling \$368,810 under the agreement.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$210,888, \$207,353 and \$199,496, respectively, equal to the required contributions for each year.

(7) Risk Management

Jesup Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$251,380 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Construction Commitment

The District entered into various contracts for \$6,000,000 for the construction of a new school building. The building was funded from the bond issued proceeds received in 2003 and a \$1,000,000 federal grant received in 2004. At June 30, 2004, the District has \$3,303,298 of construction in process. The building will be completed in the 2005 school year.

(10) Accounting Change and Restatements

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

The government-wide financial statements separate the District's programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	General	Capital Projects	Non-major Special Revenue	Total
Net assets June 30, 2003, as previously reported	\$1,915,527	\$5,401,408	\$367,568	\$ 7,684,503
GASB Interpretation 6 adjustments	-	-	-	-
Net Assets July 1, 2003, as Restated for Governmental Funds	\$1,915,527	\$5,401,408	\$367,568	\$ 7,684,503
GASB 34 Adjustments:				
Capital assets, net of accumulated depreciation of \$3,610,482				1,427,533
Long-Term Liabilities:				
Bonds and notes			\$5,000,000	
Early retirement			36,747	-5,036,747
Accrued interest payable				-31,250
Net Assets July 1, 2003, as Restated				\$ 4,044,039

Required Supplementary Information

Jesup Community School District

**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Fund**

Required Supplementary Information

Year Ended June 30, 2004

	Governmental Funds Actual	Proprietary Fund Actual
Receipts:		
Local sources	\$ 2,904,813	\$ 201,113
Intermediate sources	-	-
State sources	3,291,040	4,333
Federal sources	1,337,382	92,206
Total Receipts	<u>\$ 7,533,235</u>	<u>\$ 297,652</u>
Disbursements:		
Instruction	\$ 3,703,758	\$ -
Support services	1,935,960	-
Non-instructional programs	-	331,190
Other expenditures	3,388,125	-
Total Disbursements	<u>\$ 9,027,843</u>	<u>\$ 331,190</u>
Excess (deficiency) of receipts over (under) disbursements	\$ -1,494,608	\$ -33,538
Balances beginning of year	<u>7,684,503</u>	<u>165,965</u>
Balances End of Year	<u>\$ 6,189,895</u>	<u>\$ 132,427</u>

See accompanying independent auditor's report.

	Total Actual		Budgeted Amounts Original		Variance
\$	3,105,926	\$	2,918,166	\$	187,760
	-		-		-
	3,295,373		3,363,252		-67,879
	1,429,588		440,000		989,588
\$	7,830,887	\$	6,721,418	\$	1,109,469
\$	3,703,758	\$	4,098,058	\$	394,300
	1,935,960		2,178,110		242,150
	331,190		465,500		134,310
	3,388,125		3,839,821		451,696
\$	9,359,033	\$	10,581,489	\$	1,222,456
\$	-1,528,146	\$	-3,860,071	\$	2,331,925
	7,850,468		6,966,300		884,168
\$	6,322,322	\$	3,106,229	\$	3,216,093

Jesup Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year Ended June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

Other Supplementary Information

Jesup Community School District

Combining Balance Sheet
Non-Major Special Revenue Funds

June 30, 2004

	Debt Service	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Assets					
Cash and pooled investments	\$ 15,787	\$ 40,108	\$ 98,864	\$ 168,804	\$ 323,563
Receivables:					
Property Tax:					
Delinquent	522	817	-	556	1,895
Succeeding year	70,435	82,500	-	55,948	208,883
Total Assets	\$ 86,744	\$ 123,425	\$ 98,864	\$ 225,308	\$ 534,341
Liabilities & Fund Equity					
Liabilities:					
Deferred revenue:					
Succeeding year property tax	\$ 70,435	\$ 82,500	\$ -	\$ 55,948	\$ 208,883
Total Liabilities	\$ 70,435	\$ 82,500	\$ -	\$ 55,948	\$ 208,883
Fund Equity:					
Unreserved fund balances	\$ 16,309	\$ 40,925	\$ 98,864	\$ 169,360	\$ 325,458
Total Liabilities & Fund Equity	\$ 86,744	\$ 123,425	\$ 98,864	\$ 225,308	\$ 534,341

See accompanying independent auditor's report.

Jesup Community School District

**Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Special Revenue Funds**

Year Ended June 30, 2004

	Debt Service	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Revenues:					
Local Sources:					
Local tax	\$ 55,044	\$ 83,381	\$ -	\$ 58,654	\$ 197,079
Other	25	449	156,249	13,464	170,187
State sources	50	78	-	54	182
Total Revenues	\$ 55,119	\$ 83,908	\$ 156,249	\$ 72,172	\$ 367,448
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ -	\$ 71,370	\$ -	\$ -	\$ 71,370
Other instruction	-	-	164,902	-	164,902
Support Services:					
Student services	-	3,989	-	-	3,989
Instructional staff services	-	665	-	-	665
Administration services	-	54,245	-	-	54,245
Operation and maintenance of plant services	-	11,060	-	61,193	72,253
Transportation services	-	3,324	-	-	3,324
Other expenditures:					
Principal	170,000	-	-	-	170,000
Interest and fiscal charges	198,810	-	-	-	198,810
Total Expenditures	\$ 368,810	\$ 144,653	\$ 164,902	\$ 61,193	\$ 739,558
Excess (deficiency) of revenues over (under) expenditures	\$ -313,691	\$ -60,745	\$ -8,653	\$ 10,979	\$ -372,110
Other Financing Sources (Uses):					
Operating transfers in	\$ 330,000	\$ -	\$ -	\$ -	\$ 330,000
Excess (deficiency) of revenues & other financing sources over (under) expenditures & other financing uses	\$ 16,309	\$ -60,745	\$ -8,653	\$ 10,979	\$ -42,110
Fund balances beginning of year, as restated	-	101,670	107,517	158,381	367,568
Fund Balances End of Year	\$ 16,309	\$ 40,925	\$ 98,864	\$ 169,360	\$ 325,458

See accompanying independent auditor's report.

Jesup Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2004

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Choir robes	\$ 308	\$ -	\$ 70	\$ -	\$ 238
Activity books	1,354	7,926	-	-7,544	1,736
Athletics	27,033	62,072	62,086	5,380	32,399
Fine arts	5,063	4,168	7,474	1,602	3,359
Student Council	7,663	13,664	12,679	-250	8,398
Summer ball	10,497	3,125	4,272	-	9,350
FHA	1,069	1,405	1,181	-	1,293
High School Fine Arts Trip	8,840	16,939	19,223	273	6,829
Language Club	5,310	159	5,365	-	104
Miscellaneous	1,064	2,030	2,952	157	299
Yearbook	3,568	6,782	8,119	132	2,363
National Honor Society	53	200	180	-	73
Class of 2003	322	-	322	-	-
Class of 2004	2,864	48	2,670	73	315
Class of 2005	579	9,482	9,294	100	867
Class of 2006	295	345	100	75	615
Class of 2007	-	465	38	25	452
Middle School	3,336	7,566	9,755	-	1,147
FFA	5,318	8,217	8,147	-23	5,365
J-Stars	7,096	8,418	9,082	-	6,432
Tree Project	29	-	-	-	29
Interest account	9,255	1,476	-	-	10,731
Elementary	6,601	1,762	1,893	-	6,470
Total	\$ 107,517	\$ 156,249	\$ 164,902	\$ -	\$ 98,864

Jesup Community School District

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Three Years

	Modified Accrual Basis		
	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues:			
Local Sources:			
Local tax	\$ 1,858,831	\$ 1,765,370	\$ 1,820,128
Tuition	308,685	382,930	207,280
Other	737,297	414,276	453,467
Intermediate sources	-	-	-
State sources	3,291,040	3,375,254	3,220,542
Federal sources	1,337,382	451,598	442,637
Total	<u>\$ 7,533,235</u>	<u>\$ 6,389,428</u>	<u>\$ 6,144,054</u>
Expenditures:			
Instruction:			
Regular instruction	\$ 2,523,006	\$ 2,532,933	\$ 2,429,908
Special instruction	721,687	837,864	842,521
Other instruction	459,065	455,831	494,593
Support services:			
Student services	284,723	288,793	318,878
Instructional staff services	163,584	213,786	255,585
Administration services	763,110	906,221	599,421
Operation and maintenance of plant services	454,477	354,298	375,836
Transportation services	265,734	297,348	307,891
Central support services	-	-	505
Community services	4,332	9,308	5,184
Other expenditures:			
Facilities acquisition	2,767,935	-	4,000
Long-term debt:			
Principal	170,000	-	-
Interest and other charges	198,810	-	-
AEA flow-through	251,380	268,171	268,349
Total	<u>\$ 9,027,843</u>	<u>\$ 6,164,553</u>	<u>\$ 5,902,671</u>

See accompanying independent auditor's report.

Jesup Community School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2004

Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food donation (non-cash)	10.550	FY04	\$ 11,336
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY04	\$ 11,430
National School Lunch Program	10.555	FY04	68,534
School Snack Program	10.555	FY04	906
			<u>\$ 80,870</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY04	\$ 152,471
Vocational Education-Basic Grants to States	84.048	FY04	\$ 8,893
State and Drug-Free Schools and Communities-State Grants	84.186	FY04	\$ 3,484
Innovative Education Program Strategies (Title V Program)	84.298	FY04	\$ 4,110
Title IIA-Federal Teacher Quality Program	84.367	FY04	\$ 38,184
21 st Century Learning Grant	84.287	FY04	\$ 155,107
Iowa Demonstration Construction Grant	84.215	FY04	\$ 950,000
Fire Safety Grant	84.215	FY04	\$ 6,385
U.S. Department of Health & Human Services:			
Iowa Department of Education:			
Medical Assistance Program	93.778	FY04	\$ 5,004
Total			<u>\$ 1,415,844</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Jesup Community School District and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Independent Auditor's Report on Compliance
And on Internal Control over Financial Reporting**

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Board of Education of
Jesup Community School District:

I have audited the financial statements of Jesup Community School District as of and for the year ended June 30, 2004, and have issued my report thereon dated July 23, 2004. I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Jesup Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.


Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Jesup Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe item II-A-04 is a material weakness. Prior year reportable conditions have been resolved except for item II-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Jesup Community School District and other parties to whom Jesup Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Jesup Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink, reading "Keith Oltrogge", is centered within a light blue rectangular box. The signature is written in a cursive, flowing style.

Keith Oltrogge
Certified Public Accountant

July 23, 2004

**Independent Auditor's Report on Compliance with Requirements Applicable
To Each Major Program and Internal Control over Compliance**

Independent Auditor's Report on Compliance with Requirements Applicable
To Each Major Program and Internal Control over Compliance

To the Board of Education of
Jesup Community School District

Compliance

I have audited the compliance of Jesup Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Jesup Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Jesup Community School District's management. My responsibility is to express an opinion on Jesup Community School District's compliance based on my audit.

I conducted my audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jesup Community School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Jesup Community School District's compliance with those requirements.

In my opinion, Jesup Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Jesup Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Jesup Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

I noted a matter involving the internal control over compliance and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgment, could adversely affect Jesup Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described as item III-A-04 in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe item III-A-04 is a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Jesup Community School District and other parties to whom Jesup Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Keith Oltrogge", is centered within a light blue rectangular box. The signature is written in a cursive, flowing style.

Keith Oltrogge
Certified Public Accountant

July 23, 2004

Jesup Community School District

Schedule of Findings

Year Ended June 30, 2004

Part I: Summary of the Independent Auditor's Results:

- a) An unqualified opinion was issued on the financial statements.
- b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- c) The audit did not disclose any non-compliance which is material to the financial statements.
- d) A reportable condition in internal control over major programs was disclosed by the audit of the financial statements, including a material weakness.
- e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510 (a).
- g) Major programs were as follows:
 - CFDA Number 84.215 – Iowa Demonstration Construction Grant
 - Clustered programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 10.555 – School Snack Program
- h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i) Jesup Community School District did not qualify as a low-risk auditee.

Jesup Community School District

Schedule of Findings

Year Ended June 30, 2004

Part II – Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-04 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that the bank deposits, the posting of the cash receipts to the cash receipts journal and the bank reconciliations were all done by the same person.

Recommendation – I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion – Response accepted.

Jesup Community School District

Schedule of Findings

Year Ended June 30, 2004

Part III – Findings For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

CFDA Number 10.553: School Breakfast Program

CFDA Number 10.555: National School Lunch Program

CFDA Number 10.555: School Snack Program

Federal Award Year: 2004

U.S. Department of Agriculture

Passed through the Iowa Department of Education

CFDA Number 84.215: Iowa Demonstration Construction Grant

Federal Award Year: 2004

U.S. Department of Education

Passed through the Iowa Department of Education

III-A-04 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that the bank deposits, the posting of the cash receipts to the cash receipts journal and the bank reconciliations were all done by the same person.

Recommendation – I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion – Response accepted.

Jesup Community School District

Schedule of Findings

Year Ended June 30, 2004

Part IV - Other Findings Related to Statutory Reporting:

IV-A-04 Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were exceeded during the year ended June 30, 2004.

Recommendation – A new depository resolution should be approved in an amount sufficient to cover expected bank balances.

Response – We will issue a new depository resolution.

Conclusion – Response accepted.

IV-B-04 Certified Budget – Disbursements for the year ended June 30, 2004 did not exceed the amounts budgeted.

IV-C-04 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-D-04 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-E-04 Business Transactions – No business transactions between the District and District officials or employees were noted.

IV-F-04 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

IV-G-04 Board Minutes – Minutes for one month (September) were not published within 15 days as required by Chapter 279.35 of the Code of Iowa.

Recommendation – The Board Secretary should furnish a copy of the Board proceedings to be published within two weeks of each meeting.

Response – Procedures have been revised to ensure the minutes are published as required.

Conclusion – Response accepted.

IV-H-04 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

IV-I-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

IV-J-04 Certified Annual Report – The Certified Annual Report was filed with the Iowa Department of Education timely and I noted no significant deficiencies in the amounts reported.